

EXHIBIT 26



GOVERNMENT OF PUERTO RICO

Puerto Rico Fiscal Agency and Financial
Advisory Authority

BY ELECTRONIC MAIL

October 28, 2020

Natalie Jaresko

Executive Director

Financial Oversight and Management Board for Puerto Rico

Re: Acts 80-2020, 81-2020, and 82-2020 (collectively the “Retirement Acts”)

Dear Ms. Jaresko:

This responds to your October 21, 2020 letter regarding the Retirement Acts (“Letter”) which includes a new request for “substantive cost-savings plans for [each of] the [Retirement] Acts” “implemented in a manner that ensures adequate essential services” for the Oversight Board to consent to implementation of the Retirement Acts.

First and foremost, your Letter includes certain erroneous statements that must be corrected. As you are aware, contrary to your assertions in the Letter and previous correspondence, the Government provided the corresponding Section 204(a) certifications, which determined, in good faith, the Retirement Acts are not significantly inconsistent with the 2020 Fiscal Plan for Puerto Rico (“Certifications”). Along with the Certifications, the Government submitted to the Oversight Board the actuarial reports commissioned by the Retirement Systems Administration to Integrum LLC, which concluded the implementation of the Retirement Acts would result in aggregate savings of billions of dollars in payroll expenditures during a period of over 30 to 40 years. Moreover, in an attempt to work collaboratively with the Oversight Board, the Government has complied with Oversight Board’s subsequent requests for information regarding the Retirement Acts by providing extensive data (for 17 specific items initially and further updated requests for information and clarification regarding the same) that had to be collected across multiple Government agencies. Upon preparation of updated actuarial reports, the Government submitted supplemental certifications for each of the Retirement Acts, which still forecasted aggregate savings of billions of dollars in payroll expenditures (“Updated Actuarial Reports”).

Second, as to your new request, it appears that the Oversight Board made up its mind regarding the Retirement Acts even before the Government submitted the Certifications and never intended to collaborate in good-faith with the Government in order to implement them; particularly, upon careful review of the Oversight Board’s correspondence and ever-changing goalpost requests.

Now, the Oversight Board contends that after its own analysis—which has not been shared with the Government—it has determined that the Retirement Acts “in the aggregate will increase the Government’s costs by as much as \$8.3 billion over the next 30 years”. Accordingly, the Oversight Board has informed it will not consent to the implementation of the Retirement Acts until and unless the Government provides a “substantive program” by which each of the acts would not impose net costs incremental to the Fiscal Plan and that would be implemented in a manner that ensures adequate essential services. As per the Oversight Board’s analysis, this could only be achieved by reductions to headcount and compensation of the Government’s workforce.

In such regard, let it be absolutely clear: The Government does not concur with your statements that could be interpreted as requiring the dismissal of public employees, and hereby confirms it will **NOT** dismiss public employees in order to implement the Retirement Acts. The Updated Actuarial Reports show this is wholly unwarranted in light of the expected aggregate savings in payroll expenditures stemming from the implementation of the acts.

Notwithstanding the foregoing and in order to fully comply with your request, the Government hereby informs that it will only move forward with the implementation of Act 80-2020 in a phased approach as follows:

- **FIRST PHASE:** The **first phase** entails commencing and completing the process for applications of the public employee participants that qualify under Act 80-2020. Article 2(q) of Act 80-2020 establishes an election period of 45 business days, which currently expires on December 22, 2020.
- **SECOND PHASE:** The implementation of the first phase will enable the Government to, in a **second phase** of implementation, evaluate the applications, quantify the number of participants that took advantage of the retirement benefits as established by Act 80-2020, and confirm the expected amount of aggregate savings, taking into account the actual employees that elected the window. During the second phase, the relevant Government entities will determine if any particular agency requires an action plan to substitute any essential employees that take advantage of Act 80 and establish mobility plans, as necessary, under the Government of Puerto Rico Human Resources Administration and Transformation Act, Act No.8–2017 (“Act 8”).
- **THIRD PHASE:** Finally, upon completion of the first and second phase, the Government will implement the **third phase**, in which the Government will establish the date of separation from service of each eligible participant in order to start receiving the program’s benefits and implement the mobility plans and/or other measures required under Act 8.

With respect to Act 81-2020, it should be noted that the statutory text does not create an early retirement program. Eligible participants under Act 81-2020 will retire when they reach the retirement age established by law. In such regard, the Government is currently working on the circular letters to be issued to implement Act 81-2020 in a phased approach similar to the one described above.

Finally, as to Act 82-2020, it is worthy to reiterate that such statute does not increase pension benefits, as you incorrectly stated in your Letter; it merely allows some teachers to retire earlier. We also expect to implement Act 82-2020 in a phased approach as described above. Once the Government is able to move forward with the implementation of Act 82-2020, we will promptly notify you.

Should the Oversight Board have any questions regarding the foregoing, please feel free to contact me at your convenience. As always, the Government of Puerto Rico looks forward to working tirelessly *in good faith* with the Oversight Board to reach consensus on this matter for the benefit of the people of Puerto Rico.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Omar J. Marrero Díaz', with a stylized, overlapping loop structure.

Omar J. Marrero Díaz
Executive Director